

AR05





Our cover picture features the verdant display formed by the branches of a spruce tree, a dominant pulpwood species in Canada's northern forest.

The illustrations inside the front and back covers interpret the multiple uses of forest lands under the sound management policies of our woodlands department.

Abitibi Paper Company Ltd.
Annual Report for the year ended December 31, 1967

Comparative Summary

	1967	1966
Net sales.....	\$209,303,274	\$211,167,324
Depreciation and depletion.....	\$ 12,283,654	\$ 11,599,195
Net earnings before taxes on income.....	\$ 24,909,440	\$ 31,032,921
Taxes on income—current.....	\$ 8,144,000	\$ 7,957,000
—deferred.....	4,313,000	7,148,000
—total.....	<u>\$ 12,457,000</u>	<u>\$ 15,105,000</u>
Net earnings after all taxes on income:		
Amount.....	\$ 12,452,440	\$ 15,927,921
Per share.....	\$.71½	\$.91½
Dividends on common shares.....	\$ 9,747,016	\$ 9,741,181
Per common share.....	\$.56	\$.56
Capital expenditures on properties and equipment.....	\$ 17,218,238	\$ 24,572,294
Working capital.....	\$ 57,411,679	\$ 45,492,074
Long term debt, net of current portion.....	\$ 59,674,932	\$ 46,123,035
Equity of shareholders.....	\$173,274,216	\$170,568,792
Number of shareholders.....	35,379	33,578

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On peut obtenir ce rapport annuel en français sur demande.

Directors

Douglas W. Ambridge, Honorary Chairman of the Board, Abitibi Paper Company Ltd., Toronto, Canada
Thomas J. Bell, President and Chief Executive Officer, Abitibi Paper Company Ltd., Toronto, Canada
Bertram D. Coleman, Drexel Harriman Ripley Incorporated, New York, U.S.A.
C. Antoine Geoffrion, Q.C., Geoffrion & Prud'homme, Montreal, Canada
Allan Graydon, Q.C., Blake, Cassels & Graydon, Toronto, Canada
Charles L. Gundy, President, Wood Gundy Securities Limited, Toronto, Canada
Leonard G. Lumbers, President, Noranda Manufacturing Ltd., Toronto, Canada
T. Rodgie McLagan, Chairman of the Board, Canada Steamship Lines Limited, Montreal, Canada
Theodore O. Peterson, Chairman of the Board, The Investors Group, Winnipeg, Canada
Robert H. Reid, President and Managing Director, London Life Insurance Company, London, Canada
Paul E. Roberts, Chairman of the Board, Abitibi Paper Company Ltd., Toronto, Canada
The Rt. Hon. Lord Thomson of Fleet, Publisher, London, England
John A. Tory, Q.C., Tory, Tory, DesLauriers and Binnington, Toronto, Canada
Honorary Directors: **Harry J. Carmichael, Joseph P. Ripley**

Officers

Thomas J. Bell, President and Chief Executive Officer
Paul E. Roberts, Chairman of the Board
George M. Brain, Senior Vice-President—Fine Papers Group
Robert E. E. Costello, Senior Vice-President—Operations
J. Elliot Cottrelle, Senior Vice-President—Sales (Newsprint and Pulp)
Robert C. Gimlin, Senior Vice-President—Board Products Group
C. Harry Rosier, Senior Vice-President—Planning and Development
W. Stanley Rothwell, F.C.A., Senior Vice-President—Finance and Treasurer
E. Edward Grainger, Vice-President—Woodlands
T. N. McLenaghan, Vice-President—Manufacturing (Newsprint and Pulp)
James Flintoft, Q.C., Secretary
Roy Curtis, C.A., Comptroller and Assistant Treasurer
William H. S. Pote, Assistant Treasurer
Michael D. Thompson, Assistant Secretary

Transfer Agents and Registrars

Montreal Trust Company, Toronto, Montreal, Vancouver, Halifax, Winnipeg and Calgary, Canada
First National City Bank, New York, U.S.A. (Transfer Agent)
Bankers Trust Company, New York, U.S.A. (Registrar)

Auditors

Price Waterhouse & Co., Toronto, Canada

Report to the Shareholders



T. J. Bell and P. E. Roberts

As reported in the press, the Canadian pulp and paper industry had a difficult year in 1967. Rising costs, excess capacity and severe competition were the principal reasons for lower earnings. This was the general outcome for the industry.

Abitibi's net sales of \$209,303,000, although 1% lower than the record established in 1966, are the second highest annual sales in our history. The distribution of sales by principal product groups compares with last year as follows:

	1967	1966
Newsprint and Pulp.	\$106,043,000	\$115,604,000
Fine Papers and Groundwood		
Specialties.....	51,658,000	44,689,000
Building Materials...	39,061,000	38,949,000
Corrugating Medium and Containers.....	12,541,000	11,925,000
	<hr/>	<hr/>
	\$209,303,000	\$211,167,000

Net earnings of \$12,452,440 show a decrease of 22% in comparison with 1966 earnings of \$15,927,921. Net earnings are 71½¢ per common share compared with 91½¢ in 1966.

The performance of all Abitibi divisions has been reviewed and studied on a continuous basis throughout the year. There has been no deviation from our long-established policy of providing quality products and top customer service. While results for 1967 are disappointing, they are a direct reflection of difficult business

conditions in our industry. We are optimistic that 1968 will show improvement.

Dividends on common shares were declared and paid quarterly at the annual rate of 56¢ per share, the same as in 1966. Payment dates of the dividend of 14¢ per quarter were the first days of January, April, July and October.

Late in 1967 the Abitibi head office was established in the new Toronto-Dominion Centre. Our University Avenue buildings, which we occupied for nearly forty years, were obsolete and no longer adequate to meet space and service requirements made necessary by growth and diversification. Arrangements have been completed to sell our former head office real estate holdings and a substantial partial payment was received in 1967.

We continued the program to change the names of subsidiary companies to identify them more closely with the Abitibi group and the products we manufacture and sell. Two new names adopted during 1967 are Abitibi Provincial Paper Ltd. (formerly Provincial Paper, Limited) and Abitibi Papers Inc. (formerly Abitibi Service Inc.).

Inter City Papers Limited acquired in 1967.

Late in August we acquired a controlling interest in Inter City Papers Limited and shortly thereafter released an offer to purchase all holdings of minority shareholders at the same price per share as

that paid to the principal shareholders. At the end of the year we held close to full ownership.

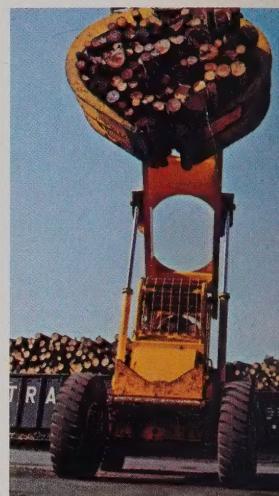
Inter City Papers Limited is a prominent Canadian wholesale distributor of fine printing papers and bookbinders' supplies with annual sales of approximately \$17,000,000. The Montreal and Quebec City divisions are operated under the name of T. B. Little+Corbeil and the Toronto division is Whyte-Hooke Papers. Inter City Papers has been for many years an important distributor of fine papers manufactured by Abitibi Provincial Paper Ltd. Its affairs will continue to be managed from its head office in Montreal.

The results of operations of Inter City Papers Limited are included in consolidated earnings from date of acquisition in 1967.

Hilroy Envelopes & Stationery Limited acquired in 1968.

Shortly after the close of 1967 Abitibi acquired full ownership of Hilroy Envelopes & Stationery Limited, a major manufacturer in Canada of envelopes, stationery and school supplies with consolidated annual sales of approximately \$20,000,000. Principal Hilroy subsidiary companies are The Canadian Stationery Company Limited, Canada Envelope Company, Toronto Envelope Co. Limited and Redi-Seal Envelopes Limited.

The Hilroy organization, with more





A load of pulpwood, lifted mechanically from a gondola freight car in a paper mill yard, starts the manufacturing process that provides newsprint to carry the news of the day to millions of readers. Mechanized equipment is being used more and more to harvest pulpwood trees from carefully managed forest lands. Pulpwood, in eight or sixteen foot logs, is transported to the modern mill by the same methods of transportation used to distribute newsprint to customers in Canada, United States and overseas. Pirate hats are a novel secondary use for newspapers.

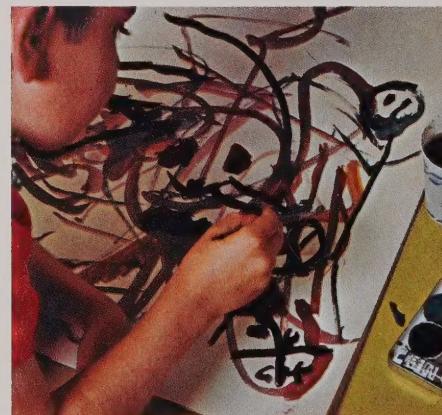
than 1,000 employees, comprises a well-managed group of companies with six envelope and three stationery plants in five Canadian provinces. Its products are well established and highly regarded throughout Canada. Management, production and sales policies, which have proven so successful in past years, will be maintained. All of the officers and management personnel will remain with the Company.

The Hilroy companies are substantial consumers and converters of Abitibi papers. Payment for the shares of Hilroy Envelopes & Stationery Limited, while largely in cash, included 50,000 Abitibi common shares.

Newsprint operations.

In common with the Canadian industry, we had lower shipments of newsprint to United States markets. Consumption in the United States increased slightly but newly-installed domestic capacity resulted in the displacement of some newsprint previously supplied from Canada. There was a decline in consumption in the United Kingdom and the devaluation of sterling late in the year introduced marketing uncertainties. Consumption in Canada increased by about 3%, which is close to the growth experienced in prior years. Newsprint consumption is expected to increase in all of these markets in 1968.

Newsprint selling prices in North



Reading a newspaper is an established habit in the everyday life of most people. It is not normally read in a single sitting. During rush hours, when in transit to and from the home or office, reading of today's events and bargains is a common scene in subway trains. In the proper season it is often read while relaxing in the park. Independent young business people play a big role in the distribution of daily newspapers. Most of them learn in their younger years that success is not free of responsibility. Groundwood papers are used for telephone directories and drawing books to satisfy the exploits of budding Picassos.



America were increased at mid-year by \$3.00 per ton, or about 2%. This was a very modest adjustment having regard to increased wage rates, rising costs for almost all materials we buy and higher costs for services provided by governments.

Abitibi's newsprint volume was lower than in the prior year for reasons mentioned above and also because of strikes in the publishing plants of several of our important customers. Present indications are that adverse factors contributing to the 1967 reduction should have less impact in the coming year. As of this date, the outlook for Abitibi is for the restoration of a growth trend in newsprint volume.

Capital expenditures in our newsprint mills were reduced from recent years and were directed substantially toward cost reduction, essential replacements, anti-pollution measures and projects that improve quality and service to customers.

Kraft pulp.

The introduction of substantial additional market pulp capacity in North America during 1967 coincided with slackness in demand. The result was a rapid deterioration in the price structure. Fortunately, the kraft pulp we produce from spruce pulpwood is particularly suited to the manufacture of fine paper grades and we consume increasing quan-

tities year by year in our own operations.

Sales of Abitibi's kraft pulp on the open market in 1967 declined under the influence of unsettled market conditions. However, consumption of this product in our fine paper operations showed an increase with the result that total production for the year was close to that of 1966. Our plant facilities at Smooth Rock Falls showed improvement in output throughout the year following correction of mechanical and processing problems connected with the start-up of this new operation.

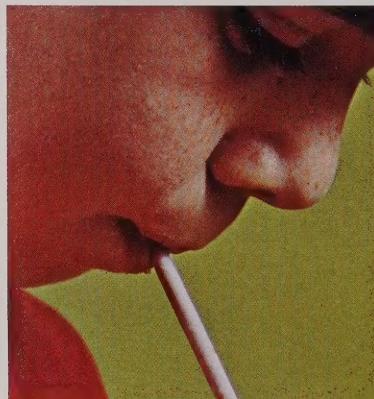
The manufacture and sale of bleached kraft pulp is not a profitable business for us under existing conditions of oversupply and depressed prices. These conditions are likely to continue for some time to come and Abitibi is fortunate in having only a relatively small quantity of pulp for sale on the market. We will increase internal consumption as conditions permit and will continue to sell the balance of our production in the market.

Increased production of fine papers.

For the ninth consecutive year our production of fine, printing and ground-wood specialty papers was at an all-time high. Shipments amounted to 164,000 tons compared with 158,000 tons in 1966, an increase of close to 4%. This increase was not up to our expectations due pri-



Abitibi's fine paper grades, manufactured in the mills of Abitibi Provincial Paper Ltd., are papers for thousands of uses. Hundreds of grades in various weights, colors and finishes are converted into many paper products such as flour bags, labels, office forms, stationery and stacks of novels and text books. To assist the small types with a refreshing drink we also supply the base stock for soda straws.





marily to a general softening in market demand in the last half of the year reflecting the diminishing effect of Canada's centennial celebrations and its attendant paper requirements.

The success of the grades introduced to the market from the new twin-wire paper machine at Port Arthur has been most heartening and volume is growing steadily. New products continue to come from this unique machine as greater knowledge of its capabilities is gained and as grade development work progresses.

The cast coating operation at Georgetown experienced a very successful start-up. Kromekote* grades of high gloss papers, produced under an exclusive Canadian licence, are finding an excellent degree of market acceptance. The cover of this annual report is one of the many Kromekote* grades.

An extensive survey of finishing operations at the Port Arthur mill was made in 1967. Many process modifications were introduced that will improve both efficiency and economy of operations in the future. We also commenced a capital investment program at Port Arthur to improve wood handling and pulping facilities.

The Kennedy Round negotiations of 1967 and resulting tariff changes will have a significant influence on fine paper markets in North America. In the course of the next few years, Canadian fine paper

manufacturers must adjust to increased competition in home markets and new opportunities in export markets. Our present manufacturing and marketing practices will require thorough study and, perhaps, changes to ensure that this company will be in a position to meet the challenges and opportunities that will arise.

Our fine paper marketing and manufacturing techniques are under constant and continuing review. A broader base for earning power in future years has been established through expansion of manufacturing facilities, our recent acquisitions, the introduction of additional grades and improved scheduling techniques.

Building materials — U.S.A.

Abitibi Corporation's hardboard plant at Alpena, Michigan, operated at capacity for most of the year. Operations improved at the hardboard converting plant in Chicago, Illinois, but were not up to expectation at our plywood pre-finishing plant at Cucamonga, California. The depressed market for building materials experienced in 1966 continued until mid-1967 when conditions improved. However, with a strong demand in industrial markets and aggressive sales policies in the repair and remodel market, Abitibi Corporation had its most successful year.

To sustain profitable growth, we have

embarked on a major expansion of the Alpena plant facilities. This project, to be completed early in 1969, will substantially increase capacity for present products and permit the introduction of new ones. At Chicago, we added a 50,000 square foot warehouse to improve service and operating efficiency.

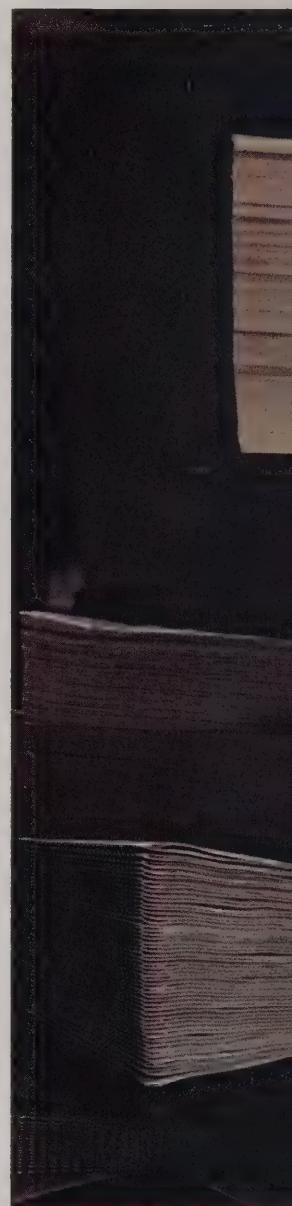
In the latter part of the year we purchased some 31,000 acres of forest lands to support the Alpena expansion program and improve security of wood supply. This purchase makes us one of the larger owners of forest lands in lower Michigan.

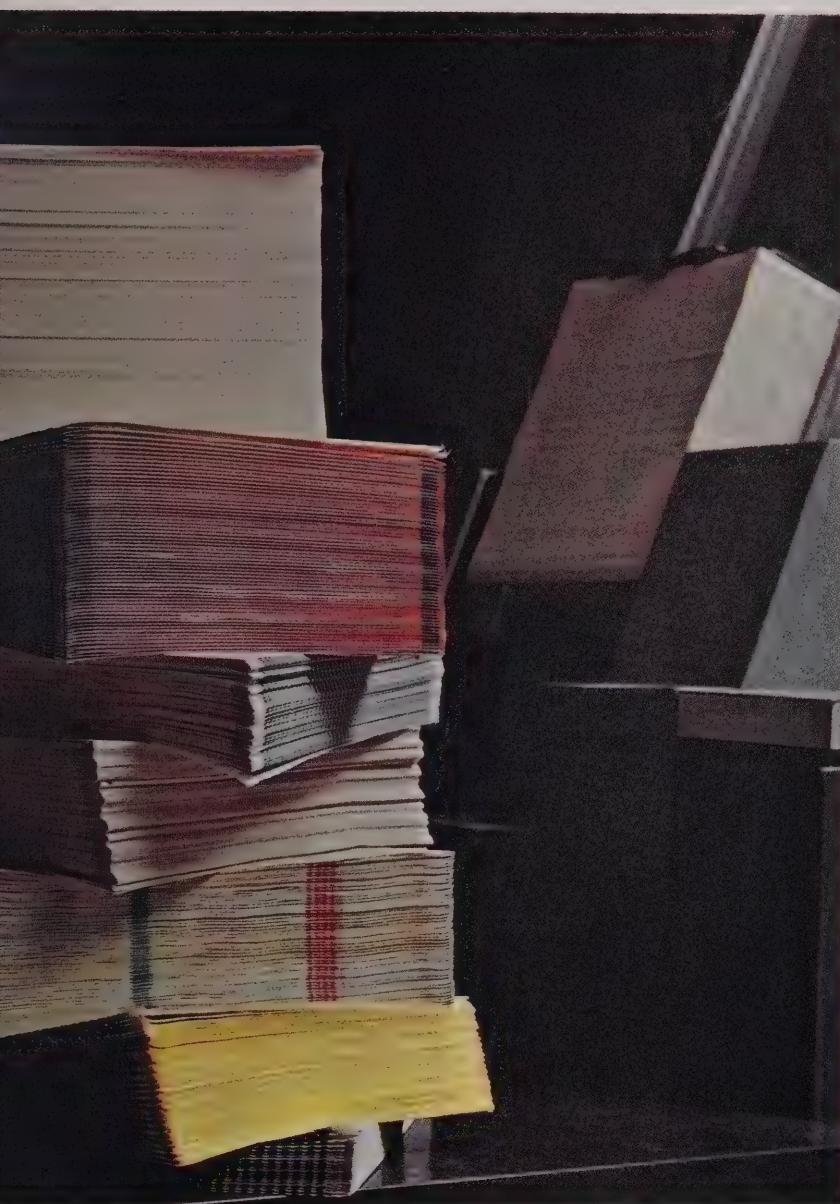
Building material markets in the United States are expected to improve in 1968 and Abitibi Corporation should have another successful year.

Building materials — Canada.

Conditions in the Canadian building materials markets were affected throughout the year by a continued low level of housing starts, a surplus of manufacturing capacity and increased competition from imports. Markets for hardboard, particle board, and hardwood plywood products from plants at Sturgeon Falls and Durham, Ontario, were unsatisfactory throughout the year. Although some products registered improvement, overall results were not equal to 1966.

Every opportunity is being taken to increase operating efficiencies, introduce new products and improve distri-





Diversity and accelerating change in the business world is expanding the need for effective communications. The electronic age has created a need for specific Abitibi paper grades to record statistical data. Advertisers demand top quality magazine paper for the communication of their colorful product and service messages. Coated and uncoated papers from Abitibi's fine paper mills are marketed in Canada and exported to 17 countries. Even the very young financier likes his "folding stuff" in several colors.



bution. Indications are that existing uncertain market conditions will continue in 1968.

Growth in containers and corrugating medium.

Growth in use of corrugated containers in Canada was about 3%, somewhat lower than in other recent years. Growth in volume of Abitibi Containers Ltd. was considerably higher than the industry average, resulting principally from our ability to offer improved service and supply to customers due to the recent establishment in the Toronto area of the company's second container plant. Improvements and changes continue to be made in our plants, products and organization. Further substantial growth is anticipated.

The pulping phase of the Sturgeon Falls corrugating medium expansion project was completed this year. Operations were at capacity except for some interruptions attributable to the expansion program. There will be additional interruptions during the early months of 1968 as this expansion program is completed.

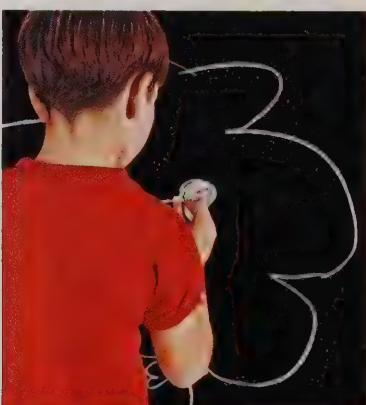
Woodlands.

The trend to integrated mechanical logging gains momentum year by year under the impetus of rising costs of the older methods of cutting, skidding and delivery of pulpwood. Logging Research

Associates, in which Abitibi is one of three partners, has developed the *Arbo-matik* full-tree harvesting system to reduce costs and significantly increase productivity. This mechanical system comprises the *Log-all* that fells, loads and skids full trees and the *Processor* that delimbs, debarks and cuts tree lengths into eight foot bolts. These machines are to be manufactured and distributed commercially in Canada by a prominent builder of machinery. Initial use in Abitibi operations is taking place at Iroquois Falls and the Lakehead.

Capital expenditures in 1967 for roads, camps, and mechanical equipment amounted to \$2,271,485. Forest access roads were extended in accordance with development plans with construction of 72 miles of all-weather trunk roads. Subject to the requirements of current production schedules, and with due regard to the safety of our employees, the greater part of Abitibi's road system is open to use by the public.

A long range management plan is being developed by Abitibi Corporation for operation of the newly-acquired forest holdings in Michigan. This plan will embrace regeneration, conservation, drainage, logging techniques and volume of production. There are good public roads bordering much of the property. We will start soon on the construction of access roads to reach mature stands and



The beauty of paneling for dens, feature walls, family rooms, and other living areas in modern homes, is never better than in Abitibi woodgrain hardboards and hardwood plywoods. The distinctive beauty, texture and woodgrain patterns of these products add dramatic warmth and elegance to any room. Rich woodgrains and veneers are used extensively in the furniture industry. Abitibi industrial grade hardboard is used in the manufacture of toys, blackboards, displays, automobile components and many other products.



other areas where wood should be harvested.

Ownership of mineral rights.

As mentioned in previous annual reports, Abitibi owns mineral and surface rights on more than 1,000 square miles of forest lands in the Province of Ontario. About 800 square miles are located northwest of the Lakehead and 216 square miles lie between Timmins and Smooth Rock Falls. There are other smaller holdings to the north of Timmins and in the Iroquois Falls area.

Mineral explorations on these holdings are proceeding in accordance with agreements made with qualified mining interests. As of this date, we have no knowledge of any discoveries of commercial value on Abitibi lands.

Abitibi Research Centre.

The first full year in our new research headquarters at the Sheridan Park Research Community has clearly confirmed the advantages of this location. Closer contact with head office planning has resulted in increased involvement of research personnel with the scientific, technological and engineering needs of the company. Liaison with our manufacturing divisions has been improved as have contacts with marketing departments. Basic research and longer range studies are benefiting from closer collaboration

with universities and research institutes.

The continuing acceptance of Abitibi products in the market place demands ever increasing knowledge of the performance qualities derived from the many materials and ingredients available for use in manufacturing processes. Abitibi research contributes regularly to process and control changes that result in improved product performance and new product development.

Licences to use our patented *Arbiso* pulping process have been extended to several other paper manufacturers. Royalty payments for the use of this process were received in 1967 and are expected in the future.

Financial statements.

Working capital at the close of 1967, after provision for long term obligations due within one year, amounts to \$57,412,000 compared with \$45,492,000, an increase of \$11,920,000.

In September 1967, Abitibi Paper Company Ltd. issued 7½% Sinking Fund Debentures, Series B, of a par value of \$15,000,000. Proceeds were added to working capital in Canada to provide for normal operating requirements and capital expenditures on plant and equipment. Long term debt increased also by \$1,000,000 U.S. funds through the purchase of forest lands by Abitibi Corporation and by the inclusion in our con-

solidated accounts of mortgage debt of \$247,500 of Inter City Papers Limited. Instalment payments and retirements of other outstanding long term debt amounted to \$2,754,000.

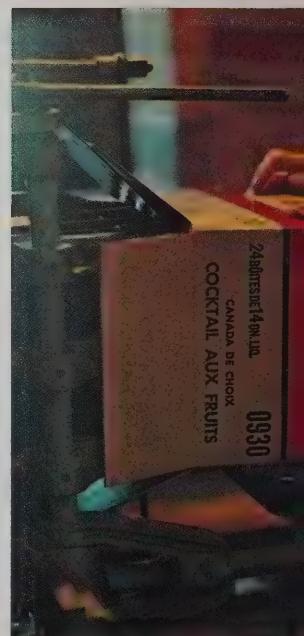
The sale of our former head office real estate holdings in Toronto is to be concluded in 1968. The selling price is \$3,014,000. Advance deposits of \$1,650,000, received with respect to this sale, are shown on the consolidated balance sheet.

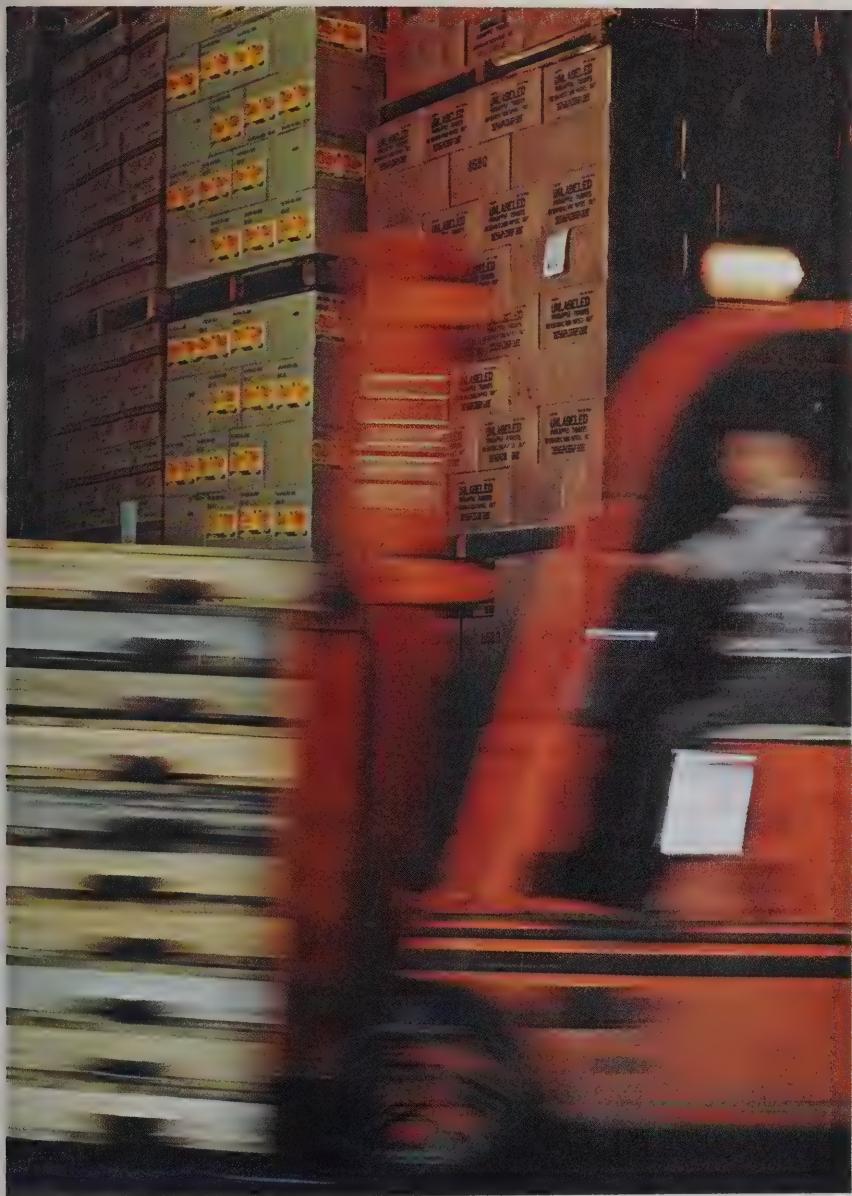
Proposed amendments to federal income tax legislation in Canada call for an acceleration of corporate income tax instalment payments during 1968 and 1969. If enacted the adverse impact upon Abitibi's cash resources, lessened somewhat by the return of previously imposed refundable income taxes, will approach \$1,000,000 during 1968 and the early months of 1969.

There were no common shares of the company issued in 1967. The equity per common share at December 31, 1967, amounts to \$9.95 compared with \$9.80 at December 31, 1966.

Board of Directors.

Mr. Harry J. Carmichael, a director for more than twenty years, did not stand for re-election at the last annual meeting in accordance with the age limitation contained in our by-laws. He was appointed an honorary director in appreciation





Abitibi Containers Ltd. provides protection for the manufacturer and the consumer. Custom designed corrugated cartons, attractively printed, package hundreds of delicate and durable products in all sizes and shapes. Packaging is a rapidly expanding one and one-third billion dollar industry in Canada, and irrespective of other materials used, paper and paperboard are used increasingly as packaging materials. One can even make a castle from corrugated board.

of his valuable contribution to the progress of Abitibi affairs. Mr. Bertram D. Coleman was elected a director at the April 1967 annual meeting. Mr. Coleman is Chairman of the Executive Committee, Drexel Harriman Ripley Incorporated, New York.

Mr. Franklin T. McClintock resigned as a director for personal reasons after serving for more than three years with advice and guidance that was greatly appreciated. Later in the year Mr. Leonard G. Lumbers, President of Noranda Manufacturing Ltd. and a director of Noranda Mines Limited, was elected to the Board.

On July 1, 1967 Mr. Thomas J. Bell was appointed President and Chief Executive Officer. On the same date, Mr. Paul E. Roberts was appointed Chairman of the Board and Mr. Douglas W. Ambridge was appointed Honorary Chairman.

Personnel and industrial relations.

Every effort is made at Abitibi plants and offices to provide the climate and opportunity for able young people to develop and move up in the organization. Employees are encouraged to upgrade their qualifications for promotion through training and home study. Financial assistance is given those who are willing to devote some of their spare time to self-improvement. A Council on Education, composed of employees from company divisions, concerns itself with the problem

of motivating sons and daughters of employees to equip themselves for the future by achieving a high standard of education.

Relations between the company and its many employee unions were generally satisfactory throughout 1967 with few negotiations taking place. In 1968, collective agreements in most of our primary Canadian operations will be the subject of renegotiation. The pulp and paper industry is particularly sensitive at this time to economic conditions caused by world-wide excess capacity. Having regard to conditions in this industry, it is a matter of concern to management that many recent wage settlements in North America have been excessive in relation to gains in productivity.

The directors take this opportunity to extend sincere thanks to all employees of Abitibi who responded so well to the challenges encountered in 1967. Abitibi is proud of the interest, enthusiasm and ability shown by employees throughout its operations.

Outlook.

The present problems of our company are similar to those of other large diversified companies in the pulp and paper industry. Costs have risen beyond our ability to compensate with price increases and productive capacity has increased more rapidly than demand. Conditions are not likely to change materially until

present surplus capacities can be productively employed.

Abitibi is in good condition to compete under existing circumstances and to grow stronger in the process. Our plants and timber resources are excellent. Our diversification is proceeding along lines that will strengthen our earnings potential. We consider the quality of our management second to none and a most important asset.

We look to the future, confident that Abitibi will be in a position to serve the strong demand for our products that will develop in the years to come.

On behalf of the Board,



T. J. Bell
President and Chief Executive Officer



D. E. Roberts
Chairman of the Board

Toronto, February 15, 1968.

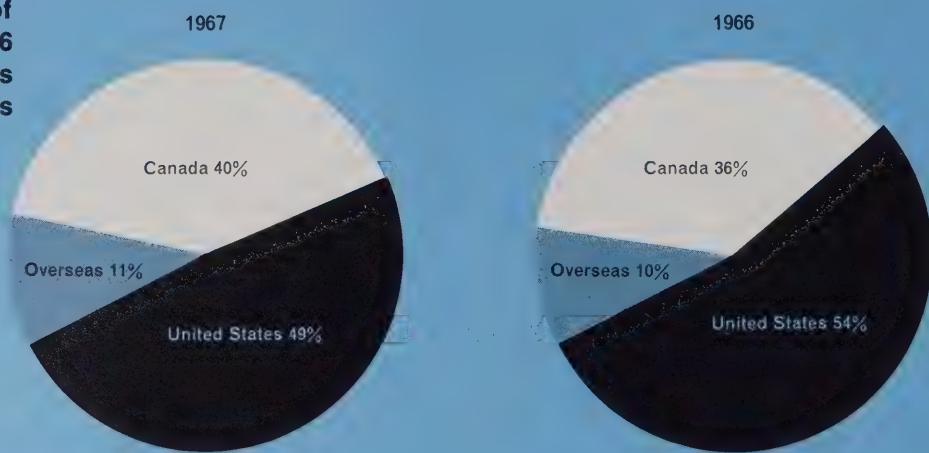




A balance between industrial needs and nature can be maintained through responsible management of forest resources. Multiple use is a social objective, a goal that requires the understanding and cooperation of all segments of the public.



**Distribution of
1967 and 1966
Dollar Sales
By Markets**

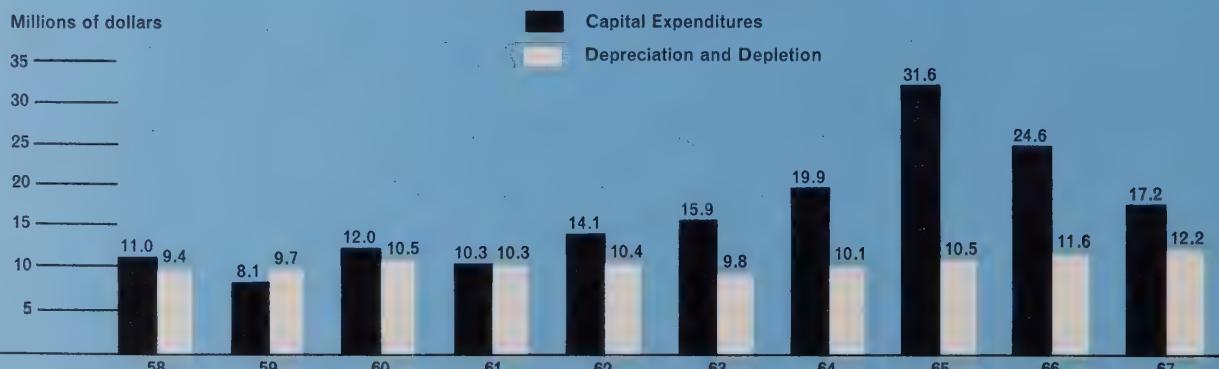


**Production of
Paper, Pulp and
Board Products**

	Newsprint-Paper	Fine and Printing Papers	Building Boards and Paperboard	Market Pulp	Total
1958	692,781	96,905	114,202	51,446	955,334
1959	735,215	107,884	138,754	44,008	1,025,861
1960	780,043	112,137	144,834	40,672	1,077,686
1961	741,978	117,332	145,833	44,352	1,049,495
1962	756,021	123,939	164,166	36,301	1,080,427
1963	740,556	132,094	177,288	39,966	1,089,904
1964	819,260	132,283	205,100	55,866	1,212,509
1965	829,293	136,720	227,308	46,825	1,240,146
1966	890,810	158,430	206,500	56,100	1,311,840
1967	825,900	164,100	208,400	43,800	1,242,200

In addition to these products, Abitibi manufactures corrugated containers, veneered panelings, decorative hardboard panels, and fine hardwood veneers.

Capital Expenditures and Depreciation



Consolidated Net Earnings

Abitibi Paper Company Ltd. and subsidiary companies

YEAR ENDED DECEMBER 31

1967

1966

Revenue:

Net sales.....	\$209,303,274	\$211,167,324
Interest and other income.....	1,337,376	1,289,881
	<hr/>	<hr/>
	\$210,640,650	\$212,457,205

Costs and Expenses:

Cost of products sold.....	\$154,978,318	\$151,854,224
Depreciation and depletion.....	12,283,654	11,599,195
Selling, general and research expenses.....	12,886,207	12,264,691
Employees' pension plans (note 8).....	2,729,321	2,753,473
Interest and expense on long term debt.....	2,853,710	2,952,701
	<hr/>	<hr/>
	\$185,731,210	\$181,424,284
Earnings before taxes on income	\$ 24,909,440	\$ 31,032,921

Taxes on Income:

Currently payable.....	\$ 8,144,000	\$ 7,957,000
Deferred (note 3).....	4,313,000	7,148,000
	<hr/>	<hr/>
	\$ 12,457,000	\$ 15,105,000
Net earnings	\$ 12,452,440	\$ 15,927,921
	<hr/>	<hr/>
Net earnings per common share.....	\$.71½	\$.91½

Consolidated Retained Earnings

YEAR ENDED DECEMBER 31

1967

1966

Retained earnings at beginning of year.....	\$125,620,485	\$119,433,745
Net earnings for the year.....	12,452,440	15,927,921
	<hr/>	<hr/>
	\$138,072,925	\$135,361,666
Dividends on common shares.....	9,747,016	9,741,181
	<hr/>	<hr/>
Retained earnings at end of year.....	\$128,325,909	\$125,620,485

Consolidated Balance Sheet

Assets

	December 31	
	1967	1966
Current Assets:		
Cash.....	\$ 5,162,846	\$ 2,357,702
Accounts receivable, less allowance for doubtful accounts.....	35,163,436	31,325,420
Inventories at cost:		
Finished products, goods in process, materials and supplies.....	22,015,690	20,466,318
Pulpwood and expenditures on current logging operations.	19,695,680	16,047,956
Prepaid insurance and other expenses.....	1,209,218	958,463
	<hr/> \$ 83,246,870	<hr/> \$ 71,155,859

Capital Assets:

Properties, plant and equipment (note 2).....	\$358,274,117	\$344,430,619
Less—Accumulated depreciation.....	188,489,310	177,722,790
	<hr/> \$169,784,807	<hr/> \$166,707,829
Logging equipment and development at depreciated cost.....	5,236,901	4,389,789
Woodlands, both freehold and leasehold, and water power rights, less accumulated depletion of \$5,419,846 (1966—\$5,344,846).	17,519,057	15,978,945
	<hr/> \$192,540,765	<hr/> \$187,076,563

Investments and Other Assets:

Bonds, debentures and notes.....	\$ 5,344,226	\$ 1,285,818
Townsite mortgages and advances.....	1,712,170	1,668,670
Other investments, at cost.....	2,482,448	1,939,054
Special refundable tax, less current portion.....	614,416	730,500
Unamortized discount and expense on long term debt.....	682,444	353,648
	<hr/> \$ 10,835,704	<hr/> \$ 5,977,690

Approved on behalf of the Board:

T. J. Bell, DIRECTOR

P. E. Roberts, DIRECTOR

\$286,623,339

\$264,210,112

Liabilities**Current Liabilities:**

	December 31	
	1967	1966
Bank indebtedness	\$ 745,977	\$ 270,850
Accounts payable	16,115,861	17,297,766
Dividend payable January 1st	2,436,754	2,436,754
Interest accrued on long term debt	888,868	598,408
Income and other taxes	3,935,238	3,482,642
Payments due within one year on long term debt	1,712,493	1,577,365
	\$ 25,835,191	\$ 25,663,785
Deposit on Sale of Real Estate (note 9)	\$ 1,650,000	\$ —

Long Term Debt:

4 1/4% First Mortgage Sinking Fund Bonds, Series B, due July 15, 1974	\$ 3,992,500	\$ 4,300,500
6 1/4% First Mortgage Sinking Fund Bonds, Series C, due November 15, 1977	6,264,000	7,058,000
5 1/4% Sinking Fund Debentures, Series A, due September 15, 1985 (\$19,175,000 U.S. funds)	20,613,125	21,500,000
7 1/4% Sinking Fund Debentures, Series B, due September 15, 1987	15,000,000	—
5 1/8% Instalment Notes, due May 1, 1984 (\$13,200,000 U.S. funds)	14,196,600	14,841,900
5 7/8% Instalment Note, due June 30, 1970 (\$1,000,000 U.S. funds)	1,073,700	—
Mortgage debt of subsidiary company	247,500	—
	\$ 61,387,425	\$ 47,700,400
Less—Amount included with current liabilities (note 4)	1,712,493	1,577,365
	\$ 59,674,932	\$ 46,123,035
Deferred Taxes on Income (note 3)	\$ 26,189,000	\$ 21,854,500

Shareholders' Equity**Preferred Shares:**

Authorized and unissued: 450,000 shares par value \$25 each issuable in series	\$ —	\$ —
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Common Shares: (note 5)

Authorized: 24,000,000 shares without nominal or par value		
Issued: 17,405,384 shares	44,948,307	44,948,307
Retained Earnings	128,325,909	125,620,485
	\$173,274,216	\$170,568,792
	\$286,623,339	\$264,210,112

Consolidated Source and Application of Funds

	YEAR ENDED DECEMBER 31	
	1967	1966
Source of Funds:		
Net earnings.....	\$ 12,452,440	\$ 15,927,921
Non-cash charges deducted in arriving at net earnings:		
Depreciation and depletion.....	12,283,654	11,599,195
Discount and expense on long term debt.....	49,988	48,137
Deferred taxes on income.....	4,313,000	7,148,000
 Funds derived from operations.....	 \$ 29,099,082	 \$ 34,723,253
Disposal of capital assets.....	356,522	192,523
Deposit on sale of real estate.....	1,650,000	—
Long term debt.....	16,073,700	—
Common shares issued under option agreements.....	—	252,579
 	 \$ 47,179,304	 \$ 35,168,355
 Application of Funds:		
Invested in properties, plant and equipment.....	\$ 13,331,641	\$ 20,842,103
Expenditures on logging equipment and development.....	2,271,485	3,730,191
Purchase of woodlands in Michigan.....	1,615,112	—
Investment in Inter City Papers Limited net of working capital acquired.....	928,484	—
Retirement of long term debt.....	2,754,303	2,746,603
Dividends on common shares.....	9,747,016	9,741,181
Increase in bonds, debentures and notes.....	4,058,408	26,540
Other items—net.....	553,250	1,346,322
 	 \$ 35,259,699	 \$ 38,432,940
Resulting in an increase (decrease) in working capital of.....	\$ 11,919,605	\$ (3,264,585)
Working capital at beginning of year.....	45,492,074	48,756,659
 Working Capital at End of Year	 \$ 57,411,679	 \$ 45,492,074

Notes to Consolidated Financial Statements

1. The consolidated financial statements include the accounts of Abitibi Paper Company Ltd. and all subsidiary companies. The results of operations of Inter City Papers Limited have been included in the consolidation from September 1, 1967, the effective date of acquisition.
Balances and transactions in other currencies have been restated in Canadian dollars as follows:
Current assets and current liabilities at exchange rates in effect at December 31st; capital assets at rates in effect at dates of acquisition; long term debt at rates in effect when debt incurred; net sales and expenses of United States subsidiary companies at average rates for the year except for depreciation provisions which are on the same basis as the related capital assets.

2. Properties, plant and equipment are stated at cost except for assets of a net depreciated book value of \$7,711,698 at December 31, 1967, included at appraised values as at April 30, 1946 as reported by Coverdale & Colpitts, Consulting Engineers.
3. It is the companies' general practice for income tax purposes to claim maximum depreciation allowances. Such allowances for 1967 are in excess of depreciation provided in the accounts. The resulting reduction of \$4,313,000 in income taxes currently payable has been charged against 1967 earnings and included in the total of \$26,189,000 set aside on the balance sheet as deferred taxes on income.
4. Sinking fund and instalment payment obligations for 1968 on long term debt, including payments based on 1967 earnings, amount to \$3,078,050 of which \$1,365,557 has been discharged by prior purchase and redemption of first mortgage bonds.
5. Of the authorized and unissued common shares, 249,100 shares are reserved under the Key Employees' Stock Option Plan. Options granted under this plan are for terms of up to ten years at market value at date of grant and are normally exercisable in instalments upon fulfillment of service conditions. At December 31, 1967 options were outstanding on 61,800 shares at \$9.50 per share, 33,400 shares at \$9.6875 per share, 45,000 shares at \$9.875 per share and 108,900 shares at \$10.5625 per share, a total of 249,100 shares of which options covering 186,100 shares were held by officers of the company.
6. Covenants entered into in connection with the issue of debentures include certain restrictions on the payment of dividends. Under the most restrictive of these provisions, dividends on common shares subsequent to December 31, 1966 may be not more than consolidated net income earned after that date plus the sum of \$15,000,000.
7. Total remuneration of directors and senior officers in 1967 was \$667,528, including remuneration of \$256,678 to directors (as directors and as officers).
8. The amount charged to earnings in 1967 in respect of employees' pension plans includes payments on account of past service costs resulting from a retroactive improvement of benefits instituted in 1963. These past service pension costs are being funded over a period not exceeding 20 years. Based on the most recent independent actuarial report, the single-sum liability for unfunded pension benefits is estimated at \$3,150,000 at December 31, 1967.
9. The company moved its head office late in 1967 and has entered into an agreement to sell its former head office real estate for \$3,014,000 cash, of which \$1,650,000 had been received at December 31, 1967. The balance of \$1,364,000 is to be received on closing in 1968.
10. It is estimated that capital expenditures in 1968 including the purchase of the outstanding common shares of Hilroy Envelopes & Stationery Limited (acquired in January 1968) will amount to \$20,000,000.

Auditors' Report to the Shareholders

To the Shareholders of ABITIBI PAPER COMPANY LTD:

We have examined the consolidated balance sheet of Abitibi Paper Company Ltd. and subsidiary companies as at December 31, 1967 and the consolidated statements of net earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the companies as at December 31, 1967 and the results of operations and source and application of funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, February 6, 1968

PRICE WATERHOUSE & CO.
Chartered Accountants.

Ten Year Review

	1967	1966	1965
Sales and Earnings			
Net sales.....	\$209,303,274	\$211,167,324	\$194,411,148
Depreciation and depletion.....	12,283,654	11,599,195	10,486,453
Earnings before taxes on income.....	24,909,440	31,032,921	32,896,007
Taxes on income, current and deferred.	12,457,000	15,105,000	16,160,000
Net earnings.....	12,452,440	15,927,921	16,736,007
Net earnings per common share*.....	\$.71½	\$.91½	\$.96¼
Dividend Record			
On preferred shares.....	\$ —	\$ —	\$ —
On common shares.....	9,747,016	9,741,181	9,727,742
Per common share*.....	\$.56	\$.56	\$.56
Capital Expenditures			
On properties, plant and equipment....	\$ 13,331,641	\$ 20,842,103	\$ 30,417,767
On logging equipment and development	2,271,485	3,730,191	1,203,803
On woodlands.....	1,615,112	—	—
Financial Position			
Current assets.....	\$ 83,246,870	\$ 71,155,859	\$ 86,886,933
Current liabilities.....	25,835,191	25,663,785	38,130,274
Working capital.....	57,411,679	45,492,074	48,756,659
Capital assets, at net book values.....	192,540,765	187,076,563	174,295,987
Investments and other assets.....	10,835,704	5,977,690	4,792,965
Deposit on sale of real estate.....	1,650,000	—	—
Long term debt, net of current portion....	59,674,932	46,123,035	48,947,638
Deferred taxes on income.....	26,189,000	21,854,500	14,846,500
Equity of shareholders.....	173,274,216	170,568,792	164,051,473
Equity of Shareholders			
Equity of preferred shareholders.....	\$ —	\$ —	\$ —
Equity of common shareholders.....	173,274,216	170,568,792	164,051,473
Outstanding common shares*.....	17,405,384	17,405,384	17,373,708
Equity per common share*.....	\$ 9.95	\$ 9.80	\$ 9.44

*The number of common shares and per share calculations have been adjusted where applicable to reflect the 4 for 1 stock split on November 30, 1963.

1964	1963	1962	1961	1960	1959	1958
\$184,708,539	\$164,575,637	\$156,005,549	\$147,587,462	\$146,339,604	\$133,813,074	\$123,385,542
10,141,903	9,853,823	10,369,899	10,289,473	10,463,547	9,680,353	9,039,110
35,431,698	31,247,502	31,275,251	28,267,636	26,066,288	24,525,544	20,127,382
17,498,000	15,040,000	15,780,000	14,557,000	13,800,000	12,700,000	10,470,000
17,933,698	16,207,502	15,495,251	13,710,636	12,266,288	11,825,544	9,657,382
\$ 1.01	\$.93	\$.90 1/4	\$.79 1/2	\$.70 3/4	\$.68	\$.54 3/4
\$ 395,221	\$ 412,046	\$ 433,026	\$ 453,504	\$ 471,199	\$ 507,803	\$ 547,796
9,639,413	8,682,138	8,330,868	7,077,577	7,077,579	7,077,579	7,077,582
\$.56	\$.51 1/2	\$.50	\$.42 1/2	\$.42 1/2	\$.42 1/2	\$.42 1/2
\$ 19,115,962	\$ 15,007,893	\$ 13,222,400	\$ 9,729,078	\$ 10,340,956	\$ 7,105,455	\$ 10,423,905
770,619	950,320	890,700	594,279	1,666,438	955,345	592,602
—	—	—	—	—	—	14,344
\$ 71,377,206	\$ 64,029,331	\$ 65,886,200	\$ 63,107,968	\$ 61,091,507	\$ 60,070,996	\$ 57,714,700
25,372,566	26,067,715	25,786,818	22,064,539	22,513,567	20,312,046	17,317,852
46,004,640	37,961,616	40,099,382	41,043,429	38,577,940	39,758,950	40,396,848
153,440,003	143,912,115	132,606,747	128,985,592	129,030,527	126,113,480	127,995,218
4,838,412	4,574,257	5,528,727	5,644,395	4,713,044	3,498,462	2,547,639
—	—	—	—	—	—	—
40,739,347	31,677,969	33,677,500	37,410,000	39,897,500	40,632,000	45,555,500
6,604,500	1,485,000	—	—	—	—	—
156,939,208	153,285,019	144,557,356	138,263,416	132,424,011	128,738,892	125,384,205
\$ —	\$ 8,990,450	\$ 9,339,300	\$ 9,908,425	\$ 10,248,575	\$ 10,836,425	\$ 11,721,900
156,939,208	144,294,569	135,218,056	128,354,991	122,175,436	117,902,467	113,662,305
17,364,988	16,971,108	16,666,736	16,652,872	16,652,872	16,652,872	16,652,872
\$ 9.04	\$ 8.50	\$ 8.11	\$ 7.71	\$ 7.34	\$ 7.08	\$ 6.82

Management Committee



Abitibi's expanding and diversified operations are planned and controlled by a group of company officers and executives holding senior management responsibilities.

Left to right: J. Flintoft*, J. B. Papoe, J. E. Haire, R. C. Gimlin, T. N. McLenaghan, W. S. Rothwell, R. E. E. Costello, P. E. Roberts*, T. J. Bell, G. M. Brain (standing), J. E. Cottrelle, C. H. Rosier, E. E. Grainger, H. P. Armstrong and H. G. O'Leary.

*Also present when this picture was taken.

Abitibi Paper Company Ltd.

Parent company with manufacturing operations in Ontario

Head Office: Toronto, Ont.

Newsprint: Iroquois Falls, Fort William and Port Arthur, Ont.

Newsprint and groundwood specialty papers: Sault Ste. Marie, Ont.

Bleached kraft pulp: Smooth Rock Falls, Ont.

Corrugating medium, hardboard and particle board panels: Sturgeon Falls, Ont.

Abitibi Manitoba Paper Ltd.

Manufacture of newsprint: Pine Falls, Man.

Abitibi St. Anne Paper Ltd.

Manufacture of newsprint: Beaupre, Que.

Subsidiary companies:

St. Anne Power Company

Baie St. Paul Lumber Company Limited

Conducting woodlands operations from Beaupre, Que.

Abitibi Paper Sales Ltd.

Sales agent for newsprint, groundwood specialty papers, bleached kraft pulp and corrugating medium

Sales Offices: Toronto 1, Ontario; Montreal, Que.

Subsidiary company:

Abitibi Papers Inc.; Servicing customers in the United States

Offices: Dayton, Ohio; New York, N.Y.; Chicago, Ill.

Abitibi Provincial Paper Ltd.

Manufacture and sale of fine and printing papers

Machine and trailing blade coated papers, bristols and other heavyweight specialties, coated and uncoated; Port Arthur, Ont.

Book, writing and specialty papers: Thorold, Ont.

Coated printing and litho papers: Georgetown, Ont.

Sales Offices: Toronto, Ont.; Montreal, Que.

Hilroy Envelopes & Stationery Limited

Envelopes; stationery; school, home and office supplies

Subsidiary companies:

The Canadian Stationery Company Limited

Canada Envelope Company

Toronto Envelope Co. Limited

Redi-Seal Envelopes Limited

Inter City Papers Limited

Wholesale Distributors of Fine Printing Papers and Bookbinder supplies

Montreal and Quebec, Quebec; and Toronto, Ontario

Abitibi Corporation

Manufacture and sale of hardboard panels and insulation (boards) in the United States

Plant: Alpena, Mich.; Executive Offices, Birmingham, Mich.

Sales Offices: Birmingham, Mich.; Chicago, Ill.; Dayton, Ohio

Miratile Panel Products Division:

Decorative hardboard and plywood panel products

Chicago, Ill.; and Cucamonga, Calif.

Abitibi Containers Ltd.

Manufacture and sale of corrugated containers: Pembroke and Toronto, Ont.

Abitibi Panel Products Ltd.

Manufacture of veneers and hardwood plywoods: Durham, Ont.

Sales agent for veneers, hardwood plywoods, hardboards and particle boards

Sales Offices: Toronto, Ont.; Montreal, Que.; Winnipeg, Man.

Other Subsidiary Companies

Abitibi Aviation Limited, Toronto, Ont.

Mattagami Railroad Company, Smooth Rock Falls, Ont.

Geomont Exploration Company Limited, Toronto, Ont.

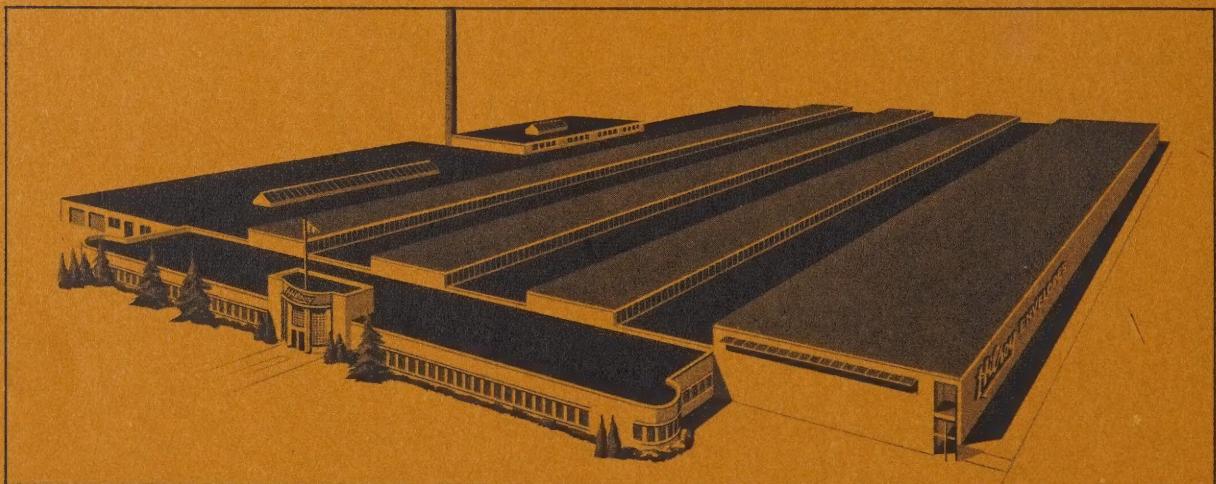
Hilroy Envelopes & Stationery Limited

The name Hilroy is known from coast to coast in Canada. Market research, product design, modern equipment, efficient distribution and competent personnel, all have contributed to the progress of Hilroy Envelopes & Stationery Limited and its subsidiary companies, the largest Canadian manufacturer of stationery and school supplies and a major manufacturer of envelopes.

Thousands of Hilroy products of every day use are distributed across the country and are available through most retail outlets. Among them are envelopes, exercise books, fine letter papers, loose leaf supplies, memo books, note pads, ring binders, scribblers, social stationery and writing pads. In addition to Hilroy brand products, the company produces private brands for many of Canada's prominent retail outlets.

The Hilroy group of companies with six envelope and three stationery plants in five Canadian provinces includes The Canadian Stationery Company Limited, Canada Envelope Company, Toronto Envelope Co. Limited and Redi-Seal Envelopes Limited.

The principal Hilroy plant in Toronto is shown below.



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ABITIBI PAPER COMPANY LTD./ANNUAL REPORT 1967

